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FISCAL IMPACT STATEMENT

LS 6183

BILL NUMBER: HB 1051

NOTE PREPARED: Nov 15, 2008

BILL AMENDED:

SUBJECT: Income Tax Credit for Anhydrous Ammonia Additives.

FIRST AUTHOR: Rep. Duncan

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides a state tax credit to a taxpayer that purchases an anhydrous ammonia additive and treats the anhydrous ammonia possessed by the taxpayer to make it unsuitable for use in the manufacture of methamphetamine or amphetamine.

Effective Date: January 1, 2010.

Explanation of State Expenditures: The Department of State Revenue would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to incorporate this credit. The Department's current level of resources should be sufficient to implement this change.

Explanation of State Revenues: *Summary* - This bill provides a new tax credit for individual and corporate taxpayers who purchase an additive that will treat anhydrous ammonia in their possession beginning in tax year 2010. The bill could potentially reduce revenue from the Adjusted Gross Income (AGI) Tax. Based on 2007 usage estimates, a reduction in revenue could potentially total \$2.9 M if all eligible taxpayers claim the tax credit. The annual fiscal impact resulting from the tax credit depends upon any potential behavioral changes in the purchase and use of anhydrous ammonia containing appropriate additives which may occur as a result of the new tax credit. Since the credit is effective beginning in tax year 2010, the fiscal impact will most likely begin occurring in FY 2011.

Background Information - The tax credit is equal to the cost of the anhydrous ammonia additive, and may be taken against the taxpayer's AGI tax liability. Any unused credit may not be carried over, carried back, refunded, sold, or transferred. Revenue from the Individual and Corporate AGI tax is deposited in the state

General Fund.

The most significant use of anhydrous ammonia is fertilizer because it is essential to the nitrogen cycle. According to the State Chemist Office, approximately 333,000 tons of anhydrous ammonia were purchased and used in 2007.

Treating anhydrous ammonia may prevent its theft or use in methamphetamine production. There are two additives that are available to treat anhydrous ammonia: *GloTell* and Calcium Nitrate. Both additives prevent the theft of anhydrous ammonia by rendering methamphetamine cooked with treated anhydrous virtually unusable, and they cost approximately \$9 per ton.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Office of the Indiana State Chemist, <http://www.isco.purdue.edu/>; *Toxicological Profile for Ammonia*, 2004, Agency for Toxic Substances and Disease Registry; Calcium Nitrate Fact Sheet, Fertilizer Industry Methamphetamine Task Force; The Facts about GloTell, <http://www.glotell.com>.

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